# A PLEA

FOR THE INCORPORATION

OF

# CO-OPERATIVE LOAN

AND

# BUILDING ASSOCIATIONS.

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SUBMITTED TO THE

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BY

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act of hoarding and accumulating in a mechanical sort of way; gains no knowledge that would enable him to manage for himself a large sum of money; and, therefore, by keeping him in ignorance of the various means of investment and accumulation, chains him to a life of mere dependence on the skill and knowledge of others in the management of his accumulated savings.

This system, therefore, while doing much positive good, does not act in unison with the spirit of the present age to the fullest extent; for while it teaches the working classes to save, it goes no farther. Its *protégé* may, in the course of time, accumulate a considerable sum; but he knows not where to place it outside of the savings bank. He possesses no knowledge or experience, no confidence in his own judgment or that of others, and even fails of confidence in the saving fund itself at times, and adds his weight to a panic-stricken rush for his savings at a time most unpropitious to both saving fund and depositor. How many instances are there on record of 'runs' on the saving funds of large cities, the result of an ignorant, senseless panic on the part of depositors?

The system regulating Building Associations in the State of Pennsylvania has a tendency directly opposite to this system.

1st. In that it is perfectly democratic, admitting each individual corporator or member to a full, free and unrestricted voice in the creation and management of associations formed under it, and a constant oversight of its operations and affairs.

2d. In that it is entirely mutual and equal in distributing its benefits, giving to all its members their equal portion of all its profits and gains.

3d. In that it is much more liberal in its return of profits and gains than any other known plan of saving and accumulating from small sums of money. Having—owing to its entirely mutual character—no preferred class to share its profits, no heavy sinking-fund to create and hold in reserve against contingencies hardly within the bounds of possibility, and no necessity for expensive banking-houses and clerk hire; and

4th. In that it is the only plan by which the working man can become his own capitalist, and create a source of wealth from which he can supply all reasonable demands, without the aid or interference of the outside capitalist. In short that it is a system 'of the people, by the people, and for the people.' One that, with ordinary judgment, enterprise, and strict integrity brought to bear in its management, cannot fail of permanent benefit and profitable results to any community or body of people adopting it, and faithfully carrying out its principles."

I have thus introduced to your notice a plan that is novel in Massachusetts, but which has been productive of great good to the working men of other States. In the appendix to a little pamphlet entitled "Moderate Houses for Moderate Means," I mentioned the existence of a Building Association, managed by E. M. Davis, Esq., in the neighborhood of Philadelphia. Shortly afterward I received a letter from Edmund Wrigley, Esq., of that city, of which the following is an extract: "I do not know whether you are aware that there are over five hundred such associations in this city, with an aggregate invested capital of from forty to fifty millions, and which is increasing at the rate of a million of dollars a month from monthly payments, and that new associations are constantly forming. We have reduced the system, as it applies to saving money, to a very fine point." The sums mentioned were so large that I thought there must be an error in the amounts. In reply, however, to my inquiry, Mr. Wrigley says: "The figures I have sent you are not set down at random. I have the names of the associations, and a large mass of annual reports to verify my figures; and, if you would visit our city, I would show you what an immense field we have in small houses, varying from four up to ten and twelve rooms, on lots from 12x40 to 20x100 and 50x200 in rural neighborhoods, that were purchased with these monthly deposits and held as security for the forty or fifty millions loans I mentioned in my last letter. This form of association extends all through our State, and nearly every village in New Jersey has one or more of them. They prevail very largely throughout the Southern and Western States, are quite numerous in Minnesota, Kansas, and Nebraska, and the Territories. I state this from positive knowledge, having been for several years in direct communication with most of them, and in almost daily receipt of their several reports and annual statements during my editorship of the 'Building Associations' Journal.'

I believe the present great success of our associations is the result,—

1. Of a comparatively small limit of shares in each association.

2. The restriction of all investments to real estate or the stock of the particular association.

3. A restriction against receiving deposits except by way of instalments on stock.

By these means simplicity, security, and moderation are attained, and the dangers of unwieldliness and complication, as well as the sudden and unexpected accumulation of large and unmanageable balances, or the equally sudden demands for the same are avoided. Everything is as fixed, certain, and automatic as a machine. Thus it is that our working men, with only working-men's experience, manage these associations so successfully. Long departure from these principles would result in the downfall of the system, as the past in New York, New England, and this city abundantly proves."

I add another letter from F. M. Wood, Esq., who, it will be seen. has had a great experience in such associations :—

"*Respected Friend:* I observe, through the public press, that you have generously offered to assist in the organization of Building Associations in your State and city. I take the liberty of writing to you,—my excuse being that, my having been for the last twenty-five years identified with them in this city I feel a deep interest in their promulgation. Therefore, I wish you Godspeed in the good work; for they are the means of lifting the poor up to comfortable circumstances, and often to a large competency. They encourage thrift, industry, habits of economy and saving. In short, they help mankind to help themselves; they make better citizens; they produce a revenue to the city or State by the comfortable dwelling-houses they erect; they produce a sale of land, make work for the mechanics of all kinds, build up the population, make a good police force,—because a man owning his own house deprecates mobs and riots, that he knows will increase taxation. In short, it has made Philadelphia what it is—*a city of homes.*

I have been a member for twenty-five years; am a member of twelve different associations. I send enclosed the report of one that is twenty-two years old. We organized in 1852 with seventy-five shares; that is, we received $75 a month. That series closed out in nine years and six months. The second series in eight years and six months. The third series in seven years and six months; that is, the shares became worth $200 by paying in one dollar a month during that time. At the present time we take in $5,000 a month in this association. This association has a capital of over $320,000 at the present time. We have now nine associations running, and in the whole nine we take over $30,000 a month. Quite a jump, from $75 monthly to $30,000 monthly. Yet this, fabulous as it may appear, is the honest truth, as our books show. We have a regular office, employ two clerks besides myself, I overseeing all as secretary and manager, under the control of a Board of sixteen directors, who meet twice every month in the evening. This Board consists of active merchants and mechanics, and retired men of wealth, some of whom visit the office every day."

To encourage the formation of such associations, charters are granted on the application of ten persons to the Court of Common Pleas. These charters are perpetual, with the right to issue 5,000 shares of $200 each. Women have the right to hold shares in their own names, with power to transfer, sell, etc., independent of their husbands, and the associations are exempt from taxation and from the State law against usury.

After such facts and statements it is useless to make an argument in favor of institutions that have exerted such beneficial effects on working men and working women in other States. All that is necessary is to explain, in some degree, the mode of their organization and the reasons for it, and here I have the advantage of using the experience of others. Mr. Edmund Wrigley, of Philadelphia, has published two small volumes, the one entitled, "The Working-man's Way to Wealth; a practical treatise on Building Associations, what they are and how to use them.' The other, "How to Manage Building Associations; a directors' guide and surveyors' assistant, with forms for keeping the books and accounts, together with rules, examples, and explanations illustrating the various plans of working." *

Mr. Wrigley, through a philanthropic desire to extend the benefits of such associations to the working men and women of Massachusetts, has not only permitted me to make large extracts from his book, but has drafted such a bill as his experience suggests, which I now submit for such alterations and modifications as the wisdom of the legislature may think best.

The experience of working-men's trains on the Eastern Railroad, where passengers are carried, morning and evening, a distance not exceeding nine miles for five cents, has proved, as by the railroad commissioner's report, a financial success. This will induce other roads (as they are required by law) to do the same. If, in addition to this, workingmen can, by co-operation, without resort to capitalists, procure the means to erect their houses, it

* These can be obtained at the store of A. Williams & Co., 135 Washington Street.

will take them out of our crowded alleys and give them the independence of their own homes.

The rest of this argument will be taken from the books of Mr. Wrigley.

By the laws of Pennsylvania, the Court of Common Pleas is authorized, on the application of ten or more persons, to issue permanent charters, giving associations the privilege of issuing their stock in successive series :—

The total issue of stock is confined or limited to 5,000 shares, but in place of disposing of the whole in one issue, all at one date, an association on starting, will sell or dispose of as many shares as is thought advisable (say 500) during the first year, and these will run their course to the final result; and at the end of the first year the sum total of dues and profits is divided by the total number of shares in this first "series," and their value is thus ascertained, whereupon a new or second "series" of stock is issued, of as many shares as is thought advisable to sell, and payments on this second series commence only with their issue; and these in turn run the same as the first series, and at the end of the second year the sum total of dues and profits for that year are divided by the total number of shares in both series, and their value again ascertained. The stock in the first series will be found to have a value of two years' dues ($24 per share), to which is added the profit made, during the two years, on each share; while the stock in the second series will be worth but the amount of one year's dues ($12 per share), and the one year's profits; and so on, each year producing a new series of stock, the sum total formed by dues and profits being divided at the end of each year by the total number of shares of all the series then issued (excepting of course, such stock as may have been withdrawn and returned to the association).

By the time the eighth, ninth, or tenth series is issued, accordingly as the association has been more or less successful in accumulating profits, the first series will have reached its ultimate value, and the stockholders in that series will receive $200 per share in cash, if they have not borrowed, and those who have borrowed receive their mortgages receipted in full. So that from the first to the eighth or tenth year, as the case may be, the permanent association issues a new series of stock every year, and after the eighth or tenth year a series is cancelled each year on reaching its ultimate value, and a new series is issued to fill its place, to be cancelled again, in turn, eight or ten years later. The process might be likened to a rod long enough to hold ten rings, on which a ring is placed, representing the first series. At the end of the first year, another ring, representing the second series, is placed on behind the first, which is slipped along to make room for the second. At the end of the second year, a third ring is placed on the rod ; at the end of the third year, a fourth ring : and so on for ten years. At the end of the tenth year, the eleventh ring is put on, which pushes the first ring (or series) off the farther end of the rod, it being capable of holding but ten rings ; and every subsequent year a ring is put on at one end, and pushed off at the other end, representing the newest or last series at one end, and the oldest or fully worked out series at the other end, and the intermediate rings those series gradually approaching the ultimate value.

In the meantime, the law gives the power and right to associations to issue new stock in the place of that cancelled by having reached its ultimate value of $200 per share, or such as may have been cancelled and returned by members who have withdrawn before the final result is reached ; provided that the total number of shares, of all series, shall not exceed 2,500 at any one time. Thus all cancelled shares fall back again into the association, to be replaced by new issues of stock.

It will be seen that in the *principle* the association is permanent, and it is only the *membership* that terminates with the series of stock on which that membership is claimed.

This serial issue of stock may be monthly, quarterly, half-yearly, or yearly, as desired ; and the oftener they are issued, of course the more readily a new member can enter, as he will have no back dues to pay at all where the series is issued monthly, and but one year's back dues at most if the series is issued yearly. Thus, the door is always held open for new members to enter and keep up the competition for loans ; there is always a demand for the money, the premiums bid average a higher rate, and the different series reach their ultimate value in a shorter period of time than in the terminating plan.

Neither is there the same trouble in paying off a series that is worked out, where the issuing of series is not placed at periods too far apart, but say monthly, quarterly, or half-yearly : for the amount of money required to cash any one series is very small in proportion to the par value of the entire capital stock ; and the payments that are made in a lump by the terminating association, are thus scattered in small amounts throughout the entire existence of the permanent association after its first series becomes due.

### The Time for Running Out, or Winding Up.

The period of time consumed by any one series of stock in reaching its ultimate value of $200 per share, is regulated by the amount of profits made each year.

If no profit whatever was realized and the dues were paid monthly, without lending them out to borrowers, of course it would take two hundred months, or sixteen years and eight months to make up two hundred dollars. But this would do no one any good beyond the mere act of hoarding.

On the other hand, an association making an average annual profit of six dollars and forty-six and two-thirteenths cents per share, will close in ten years and ten months, as near as may be, viz:—

EXAMPLE NO. 1.

| | |
|---|---|
| 10 years' and 10 months' dues, at $1 per month, . . . | $130 |
| 10 " " 10 " profits, at $6.46 $2\frac{2}{13}$, . . . | 70 |
| Ultimate value of each share, . . . . . . . . . . . | $200 |

Which is equal to 10 per cent. per annum on the amount of cash invested for the average time of its investment.

An association making an average annual profit of $8 on each share, will close out in ten years exactly, as was previously stated, viz:—

EXAMPLE NO. 2.

| | |
|---|---|
| 10 years' dues, at $12 per year, . . . . . . . . . | $120 |
| 10 years' profits, at $8 per year, . . . . . . . . | 80 |
| Ultimate value per share, in 10 years, . . . . . . . | $200 |

Which is equal to $13\frac{1}{4}$ per cent. per annum on the cash paid for the averaged time.

Thirteen dollars annual profit will close out in eight years, viz:

EXAMPLE NO. 3.

| | |
|---|---|
| 8 years' dues, at $12 per year, . . . . . . . . . | $ 96 |
| 8 years' averaged profits, at $13, . . . . . . . . | 104 |
| Ultimate value of each share, . . . . . . . . . | $200 |

Which is equal to 27 per cent. per annum, on the cash paid, for the averaged time each dollar was invested.

Thus, $200 will be realized under the Building Association, or Mutual Plan, in from eight to eleven years, on sums of money paid or saved, one dollar at a time month after month; while, if the whole sum of $130 (being the total sum paid on each share to a Building Association running out in ten years and ten months) was deposited in an ordinary savings fund, all in one amount, in place of in easy monthly payments, it would take eleven years, at four per cent. interest to reach $200.

## Building Associations.

Building associations may properly be called the "Mutual or Co-operative System of Saving and Borrowing Money."

A Building Association is composed entirely of one class of stockholders, and its assets or property is represented by stock. Its original capital is derived from the monthly instalments or dues paid on account of each share of stock by the holder thereof, and the chief sources of profit on the investment in this stock, by means of which the association is enabled to work out the ultimate value of $200 per share, in a given number of years, is obtained from loaning the accumulated monthly instalments of dues and profits to such of the stockholders only as may under the rules borrow the same.

These chief sources of profit consist of two items :—1st, The premium deducted from the loan on taking it; and 2d, the interest upon the loan, which is paid monthly during its continuance. There are also two minor sources of profit, to wit: 3d, Fines charged upon dues and interest, when in arrears; and, 4th, The profit on withdrawals of stock before the ultimate result is reached.

These four items of profit which are largely increased by the *monthly compounding* of interest upon them, as well as upon the monthly dues; are added together at the end of each year on settlement of the books; and, after deducting the year's expenses, the total balance remaining is divided by the number of shares in the hands of stockholders. This shows what the profit on each share has been for the year just closed; and this, added again to the dues paid in, and the profit made during previous years, shows the actual value of each share of stock at the close of any given year; and this process is repeated at the close of each year, until the accumulated dues and profits will divide to every share the sum of $200.

The property or assets with which the association liquidates or pays to each shareholder $200 for each share he holds, is composed of two items,—First, the bonds and mortgages given by borrowers; and second, cash in hand at the time the final result is reached. The bonds and mortgages are handed to the borrowers, receipted in full, and the stockholder who has not borrowed is paid in cash, $200 for each share of stock he owns.

This is a general explanation of the plan and its results. It is proposed, in the following pages, to give a more minute and detailed representation of the system, and to follow it step by step, pausing to examine each separate part, that the process by which the final result is attained may fully appear to view on a little study and examination.

## STOCKHOLDERS.

Many persons join Building Associations with a view of continuing their payments until their stock shall have reached the ultimate value of $200; while others join with the especial view of borrowing. For the purposes of explanation, we will divide these into two classes.

1st. The non-borrowing class, formed of those members who do not avail themselves of the privilege of borrowing in advance the ultimate value of their shares, but continue paying their monthly dues until within from eight to eleven years, they are entitled to $200 per share, and

2d. The borrowing class, composed of those members who avail themselves from time to time of this privilege, and thus anticipate the ultimate value of their stock, paying a premium for the present use of it, as well as the one dollar per share interest, in addition to the regular monthly dues (as explained in the former chapter), until the ultimate result is reached and the loan is paid and cancelled by the value of the stock.

By referring to the rule given in the previous chapter for the division of profit, it will be recollected that these two classes share mutually in this respect. They differ, however, in this, that while they both pay their monthly dues, the borrower in addition to this, pays a premium for his loan and one dollar extra (or in other words six per cent. interest upon it) besides, and thus furnishes the chief sources of prfiot, that enables the association in a greater or less time to reach the ultimate result of $200 per share.

Leaving the consideration of the advantages to be derived from borrowing under this plan let us consider those belonging to

### The Non-Borrowing Member

First, with regard to whom somewhat remains to be said. Those who have no present use for a large sum of money and are able to lay by say from $1 to $15 per month, by paying it monthly for a period of from eight to eleven years, realize on each share $200, and on fifteen shares $3,000.

### Withdrawals of Stock.

There is one thing further to be noticed under the head of Non-borrowing Stockholder, and that is the right to withdraw or cancel his stock at any time, by giving thirty days notice to the Board of Directors of his desire to do so. "When he or she shall be entitled to receive the amount paid in by him or her, and such portion of the profits as the by-laws may determine, less all fines and other charges. Provided that at no time shall more than one-half of the funds in the treasury be applicable to the demands of withdrawing stockholders, without the consent of the Board of Directors, and that no stockholder shall be entitled to withdraw whose stock is held in pledge for security. Upon the death of a stockholder, his or her legal representatives shall be entitled to receive the full amount paid by him or her, and *legal interest* thereon, first deducting all charges that may be due on the stock. No fines shall be charged upon a deceased member's account from and after his or her decease, unless the legal representative of such decedent assume the future payment of the stock.

It is a popular error, that persons who join Building Associations must when once they begin, keep on paying in until the end, or forfeit and lose all the money paid. By the foregoing extract from the law it will be seen that this is not the case, but that those who are unable or unwilling to continue, are allowed to retire from the association, receiving all their money back (less any fine they may have incurred by neglect to pay their monthly dues promptly), with a fair portion of the profits.

This right to withdraw is a very proper and necessary feature in this system, and it becomes more apparent when we consider the class of persons intended to be benefited by it, and their liability from sickness or loss of employment suddenly to be placed without the means of support. Instead of being compelled to seek a market for their stock and sell it perhaps at a great sacrifice or hypothecate it to some devouring money-lender at a high rate of interest, they are allowed to return their stock to the association, the stock is cancelled and they receive the money they paid in, "with such portion of the profits as the by-laws may determine."— Not such portion as the directors may determine, but the by-laws made by the stockholders themselves on forming the association; and subject to such fines and charges only as the same by-laws impose for a neglect or failure to pay their dues promptly and punctually, with the exception even in this latter case in favor of the deceased members from the time of "his or her decease."

But there is another provision of the law of great importance to this system, to wit: "That at no time shall more than one-half the funds in the treasury be applicable to the demands of the withdrawing stockholders, without the consent of the Board of Directors." The Board of Directors composed of men elected annually by the stockholders from among themselves, and not from a preferred class of capitalists separated from them by wealth, station and associations entirely different, and without any sympathies in common with them; but composed of men from the same shop and work-bench, from the same trade, occupation and calling as themselves; men who know their wants because they feel those wants, who know their best interests, because they are common to all.

There is but little danger therefore of a "run" or universal demand by all or a great majority of the stockholders for their money at one time; for in the first place they are required to give thirty days' notice, and then take their places in rotation on the list of withdrawing members, and await their respective turns of being paid out of the fund appropriated to their use, namely: "one-half the funds in the treasury" on each meeting night. Time is thus given to the association to deliberately prepare itself for any extraordinary or unusual demand, and protect those who remain in the association, as well as those who wish to retire, from unnecessary loss by hasty or precipitate action. For if there was no check on the demands of withdrawing stockholders, and all the funds in hand at any one time were liable to withdrawal and one-fourth of the stockholders of an association two years old and numbering one hundred and fifty members, owning an average of ten shares each, desired to withdraw, it would take about $10,000 to pay them off, and if all the receipts at a supposed average of $2,500 a month were appropriated to pay them, it would take some four months to liquidate their claim, during all which time the remaining members would be paying in their dues and gaining no profit from making loans, for no loans could be made from which the chief profit is derived. So the advantage is divided equally between the stockholders wishing to remain, leaving half the funds to loan and invest for their profit and accommodation, and those wishing to withdraw having the other half appropriated to their wants. And herein again appears the strictly mutual feature of the system.

## The Portion of Profits Withdrawn.

The amount of profits a stockholder is allowed to withdraw along with his dues, is regulated as previously stated by the by-laws, and varies in different associations; some allow six per cent, on the dues for the averaged time they are held in the association, others one-eighth and others again one-tenth of the profits for each year that has elapsed since the stock was issued and the first payment made upon it. Let us give some examples of the results of these rules at the different rates of profit just mentioned, from calculations based on a supposed average yearly profit of $\$6.46\frac{2}{13}$ per share.

When one-eighth of the profit per share is withdrawn with the dues the account would stand thus per share :—

| | |
|---|---|
| Five years' monthly dues, at $12 per year, . . . . | $60 00 |
| Five-eighths of five years' profits at $6 $46\frac{2}{13}$ per year, | 20 15 |
| Withdrawing value of each share, . . . . . . | $80 15 |

When one-tenth of the profit, per share is allowed, thus :—

| | |
|---|---|
| Five years' monthly dues at $12 per year, . . . . | $60 00 |
| Five-tenths of five years' profits at $6 $46\frac{2}{13}$ per year, | 16 15 |
| Withdrawing value of each share, . . . . . . | $76 15 |

When six per cent. simple interest, is paid for the average time each dollar was deposited, thus :—

| | |
|---|---|
| Five years' monthly dues at $12 per year, . . . . | $60 00 |
| Five years' interest for averaged time, at 6 per cent. int. | 9 15 |
| Withdrawing value of each share, . . . . . . | $69 15 |

And when four per cent. interest is paid for the averaged time each dollar was deposited (as most of the savings funds pay), supposing the money to have been deposited in monthly sums. Thus :—

| | |
|---|---|
| Five years' monthly deposits, at $12 per year, . . . | $60 00 |
| Five years' interest, for averaged time at 4 per cent. | 6 00 |
| Total value of deposit and interest, at end of 5 yrs. | $66 00 |

No other organized and carefully-guarded scheme or plan offers itself to the working man by means of which he can save his money in small amounts, and yet gain in considerably more than the average of cases over the legal rate of simple interest. And yet this profit is not the result of wild and reckless speculation, it is derived from safe and well-considered investments, in reliable securities. This profit is paid by men who in place of being oppressed by it, derive an equal and sometimes a greater advantage from the loan they pay for, than the non-borrowing stockholder does, and who are not only glad of the chance to borrow, but thankful for it also.

Besides the portion of the profits a withdrawing member takes with him, there is also a profit that remains and is divided among the shares of stock, owned by those who continue in membership, to wit: All of the profit made over and above the portion of profits allowed a withdrawing member. The remaining profit is left in the association to add to the profit accruing from "premiums" and "interest" on loans. For the number of shares, by which the year's profit will be divided, will be lessened by the number of shares withdrawn during the year, and the profit to those who remain will therefore be increased by the withdrawals. This acts as an inducement or premium to members to stay in and pay up steadily until the scheme is worked out, when they receive their full share of all the profits, including that portion the withdrawing members would have received had they also remained to the end.

### BORROWING.

It has been shown that the chief or main capital of a Building Association is derived from the monthly dues paid on each share of stock; and that the sole mode of increasing it (with the exception of the profit derived from fines, and that remaining from the withdrawals of stock), is by means of loaning it to members who desire the use of it, and can give the required security for the repayment of it in monthly instalments; and as was previously mentioned, from these loans the two main items of profit are received, namely, "Premiums and Interest."

The security required for loans is of two kinds,— one the stock of the association, and the other real estate.

### Loans Made on Stock.

Loans made for which the stock of the association is pledged alone for its payment, are mostly for temporary use, to help the borrower over some tight pinch in his affairs, to be repaid when he is again in funds; and the amount of money loaned in this way is never greater than the withdrawing value of the stock offered as security. One owning five shares of stock, five years old, on which $60 a share has been paid in dues, and to which an average profit of seven dollars a year, or $35, has been added, making the stock worth $95 per share, could borrow about $350 upon it, to start a little business with, or meet a sudden demand for more money than his ordinary income will satisfy; and when he is in funds again, he can pay it off, and assume his original position in the association; or, on the other hand, he can keep the loan until his five shares reach the ultimate value of $200 per share, when he will find his loan paid off, and some $600 coming to him as the balance due him on his stock, over and above what was advanced to him by way of a loan.

### Loans Made on Real Estate.

The legitimate object of the Building Association is apparent throughout the whole system, and in every part of its structure; that object is exclusively to benefit that class of persons who may be designated under the general head of employés, embracing all persons whose wages, salaries or incomes, are certain but limited, and who are able to save but little out of their receipts, over and above the expenses of living. The capitalist needs no such aid as this system offers, for he is already in the position this system proposes to aid the man of no capital in reaching. It is too slow a process for the man who designs to live out of the proceeds arising from rapid turning of a large or small capital. And yet of all known plans, it is the most rapid, sure, and effectual one for the industrious man of very small means, or, in fact no means at all, to accumulate a capital.

The object of this chapter is to show not only the manner of applying the privilege of borrowing to the purposes of saving, but to further show that it is the only way in which persons under certain circumstances can possibly save and accumulate money.

The previous chapter explains the result of mere saving by depositing monthly instalments in an association, by one who has no other expense than that necessary to his own support,— persons who, having no family to provide a home for, are not under the necessity of paying rent.

The following portion of this present chapter will show the peculiar privileges held out to the working *man of family* by the Mutual System. It will show him that without working one stroke harder than he has ever worked before, if he is an ordinary sober and industrious man, that without increasing his income from wages one cent a year more than the usual average he has previously received from steady employment, he will be able to save, by borrowing from a Building Association.

## Rent Must be Paid.

Every man of family, no matter how limited his means, must provide a home for his family; and such a man, having the natural feelings of a husband, father and good citizen, will labor very hard to keep that home above him. For this home rent must be paid; and it is a well-known fact that the class of houses usually occupied by working men, pays a much larger percentage of rent on the capital invested in them than the larger, more expensive and elegant residences of those in the enjoyment of larger incomes than working men can command.

It is the case with a large majority of the working people of this, as well as other countries, that they live from hand to mouth; in other words, the end of every month and every year finds them — if, indeed, with all their little debts paid,— with nothing laid by to meet the ordinary contingencies of sickness, loss of employment, or the like; and this though a man may be industrious, sober, healthy, frugal, constantly employed, and punctually paid for his labor. The size of his family, the smallness of his wages, or some other cause other than tippling and dissipation (for there is little hope of the drinking man saving himself, let alone his money), keeps him always at the extremity of spending his last cent. He never seems to get ahead; he is constantly in the drag. If he gets a dollar in advance to-day, some unexpected necessity puts him a dollar behind to-morrow. There is one item, however, he always manages, by the utmost effort, to keep paid up with a tolerable degree of promptness,— this item is rent. To keep a home for his wife and little ones, everything else must give way. Little luxuries, little comforts, even necessaries, must stand aside, to enable him to meet the demand of his landlord for his rent.

### The Money Paid for Rent will buy a House.

If, then, the closely-driven man will labor so hard, and suffer so much to meet the landlord's claims, would he not work harder, and suffer more, to meet his payments if he himself were the landlord, and the money he paid was not departing to return no more, and without leaving him an equivalent for it, but was gradually buying his house and paying for it? Would he not work with greater satisfaction, being able all the while to count the day when, with but ordinary success, he would own his home, in a great part free from debt? There can be but one answer to these questions.

It is chiefly owing to this mutual system of building associations that thousands of working men in the city of Philadelphia alone (not to mention other parts of the State of Pennsylvania), to-day own and occupy their own houses, and possess others besides, from which they receive handsome little incomes in rents. Nnmerous instances can be pointed out, of mechanics and laboring men who have worked all their lives at their callings as journeymen and day laborers, and raised large families of children, and who are to-day worth from $10,000 to $20,000, all made and saved through Building Associations. The course is clear and certain. "What man has done, man can do again." Keep in mind the words of the wise man, "If any one tells you that the working man can become rich otherwise than by *labor* and *saving*, do not listen to him, he is a poisoner."

### How It Can Be Done.

A tenant, renting a house at $15 per month, will pay to his landlord $180 per year, or $1,800 in ten years, while the same money, paid to a

Building Association, will buy the same house (or at least a greater part of it), within a period of from eight to ten years. Now, if a hard-pressed working man can save nothing more than this item of rent out of the entire proceeds of his labor, is it not better to do so than not to attempt to save at all? Is it not better than to absolutely throw it away forever, by paying it as rent? But let us examine this matter a little more closely.

A house renting for $15 per month, such as is usually occupied by working men, will sell for about $1,500. Nearly all the houses in the city of Philadelphia, both large and small, have an incumbrance upon them, either a ground rent or mortgage, of at least one-third their value. One reason for this exists in the fact that buyers prefer to purchase subject to an encumbrance; firstly, because it takes less ready cash to make the purchase, and secondly, because if the house is rented, it pays the purchaser a better per centage on the investment than if purchased clear of all incumbrances by an outlay of the entire cash value of the house. For, if one purchase an unincumbered house at $1,500, renting for $180 per year, this would give him just twelve per cent. on the investment of $1,500; while if he purchased for $1,000 cash, subject to a ground rent of $30, or a mortgage of $500, the yearly interest of which would be $30, he would realize fifteen per cent. on the $1,000 invested, after deducting the interest on the incumbrance, in place of twelve per cent. if he purchased clear,—just $30 a year in favor of an incumbered property. Now, to proceed with the illustration: take, for example, a dwelling that can be purchased for $1,500, subject to a ground rent of $30 per year (the principal of which would be just $500), or a mortgage of $500, the interest of which would be the same as the ground rent ($30). The price being $1,500, and the incumbrance $500, of course it would take $1,000 cash to pay for it. By means of the Building Association, the purchase-money can be raised, thus: the purchaser, if not already a member, owning stock, subscribes to a sufficient number of shares to enable him to make up the sum of money necessary to complete the purchase, after deducting the premium he bids for it. If he has been a frugal man before this, he may have accumulated a little money by saving. It is not often an association will loan one enough to pay down the entire cash required; they require a slight margin above their loan, as an earnest of good faith and intention on the part of the borrower, to perform his part of the bargain. This margin is necessary for the borrower to make up himself; though, it might be observed here, that even this rule is sometimes relaxed, when the borrower is evidently getting a bargain, and is well known as an honest, industrious, sober and capable workman, through a kindly feeling on the part of his fellow-members, to give him the benefit of every advantage consistent with safety to the association.

The amount of money realized in actual cash will, of course, be regulated by the premium bid for the money at the auction sale of it at the meeting. If he borrows upon six shares, he will be entitled to a loan of $1,200, with the premium off. If the premium should reach twenty-five per cent., or a total of $300, he would realize $900, or $100 short of the price of his house. If he bids thirty per cent., and the loan is granted him at that premium, he will realize $840, or $160 short of the price of his house; and so on. So that whatever is the amount of difference between the sum thus realized from the loan and the purchase-money of the house, this difference must be made up out of the borrower's own pocket, in some way.

We will suppose, however, that one is able to get his loan at twenty-five per cent. premium off. There would therefore be deducted from the par value of each share $50, leaving $150, or $900 on six shares. To this he adds his own $100, and pays for the house, secures the association's loan by a mortgage on the house for $1,200 (subject to the prior incumbrance), to secure his future monthly payment of $12 each, or $2 per share, becomes the owner of his former tenement, and his own landlord; and as such let us see how his yearly account would stand: —

| | |
|---|---|
| Yearly ground rent or interest, . . . . . . . . | $ 30 00 |
| Taxes, etc., (about), . . . . . . . . . . . . | 20 00 |
| Yearly total of monthly dues and interest to the association, at $12, . . . . . . . . . . . . | 144 00 |
| Yearly interest on $100 advanced by himself, . . | 6 00 |
| Total yearly expenses as owner, . . . . . . . . | $200 00 |
| Former rent as tenant, . . . . . . . . . . . . | 180 00 |
| Yearly difference between his two positions, . . . | $ 20 00 |

So that the house actually costs him, to clear it of the association's mortgage, just $300 more in ten years than he would pay as tenant.

By this illustration it is shown that by paying $20 more per year for from eight to eleven years, as purchaser, than was paid as tenant, he becomes the owner of the house, with money that was formerly sunk forever in paying rent.

The foregoing example supposes the case of a closely-driven working man of industry and energy. Those who can earn better wages can form an example to suit their several cases, using the foregoing figures and those that follow, as a starting point on which to base their calculations for a larger operation.

But let us follow this closely-driven working man still further. In from eight to ten years, as shown in a former chapter, these monthly payments of $12 to the association cease, the loan is cancelled and satisfied by the value of the stock upon which the loan was made. The borrower is therefore owner of the house, clear of that debt. He now has $144 a year free from any imperative demand. He has learned the art of saving; it is now no trouble to do so. He is able to take twelve shares in the association and pay the dues with his now released $12 a month; and thus become one of the non-borrowing class of stockholders previously mentioned, and in eight or ten years he has $2,400 in cash. In the meantime, his little property has increased in value, probably to $2,000, by reason of surrounding improvements and advanced prices.

Or, to take another view of it, let us suppose that in place of becoming a non-borrowing stockholder, he again becomes a borrower. Seeing a house similar to the one he owns, in price, size, etc., he buys it, borrows the money in the same way, and rents it to some industrious working man, who will not believe that a Building Association is anything but a snare and a humbug, and therefore persists in being a tenant all his days. To simplify the illustration, suppose he rents it for $15 per month, or $180 a year. It will therefore be but $20 a year short of the annual sum necessary to keep the interest, dues, and taxes paid up, and this difference can be supplied from his $144, now free. This operation can be repeated as often as his thrift, energy, and enterprise, patience, and perseverance will enable him to see the propitious moment, and seize the opportunity. There is no saying to what degree of ultimate success such a course, faithfully and persistently carried out on the part of any future operator, would finally lead to; but we can point to many hundreds of working men, as living examples of the truth of all that is figured in the foregoing imaginary case. And lest it might be inferred that these examples are overdrawn by too zealous an advocate of the system, it may be well to state that there are numerous instances on record, where purchases have thus been made with money borrowed as shown above, the rent from which not only kept the dues, interest, taxes and all other expenses fully paid up, but in addition returned the owner a considerable sum as a clear yearly profit during the entire running of the loan; resulting, in effect, in the owner actually getting his house clear on the running out of the stock, it having been paid for by the tenant, with his rent, and leaving him considerable cash besides. And all this without in the least infringing upon the rights and interests of the particular association, or any single member of it.

## Paying Off a Loan or Returning the Borrowed Money Before the Ultimate Result is Reached.

As has been shown, a member who has not borrowed can withdraw at any time by giving thirty days' notice, subject to the proviso restricting one-half of the funds in the treasury, to that purpose. So also can a member who has borrowed, to use the language of the law, "Repay his loan at any time" (without any special notice), "and in case of the repayment thereof before the expiration of the eighth year after the organization of the corporation, there shall be refunded to such borrower one-eighth of the premium paid, for every year of the said eight years then unexpired."

Under this rule, first the dues will be refunded to the stockholder, with the proportion of profits allowed according to the by-laws of the particular association he may be connected with, as was hereinbefore explained under the head of "withdrawals." Secondly. There will be refunded to him one-eighth of the premium he paid on taking his loan for each of the "eight years then unexpired," since the organization of the association, or the issue of the particular series of stock on which the loan was made. The sum ascertained to be the total amount of dues and profits the stockholder is entitled to, and the sum ascertained to be to the total amount of premium to be returned to him, are then added together, and the sum thus obtained will be deducted from the amount of the whole face of the loan, and the balance remaining will show the amount of cash required to pay off the loan. For instance, suppose one had borrowed the sum of $1,000, on five shares of stock, at 25 per cent. premium off, and the series of stock on which the loan had been made was four years old at the time of withdrawing it, to aid in paying off the loan. If the association allowed one-tenth of the profits on withdrawing, he would be entitled to four years' dues and one-tenth of the profits for each of the four years past. Supposing the yearly profits to have been at the average rate of $6.46 per share, his dues would stand as follows:—

| | |
|---|---|
| Four years' dues on each share at $12 per year, . . . | $48 00 |
| Four-tenths of four years' profits, at $6.46 per year, . | 10 32 |
| Withdrawing value of each share, . . . . . . . . | $58 32 |
| Multiplied by five shares, . . . . . . . . . . . | 5 |
| | $291 60 |

In the second place, having paid twenty-five per cent. premium for the loan of $1,000, or $250 off, there would be deducted from this premium, one-eighth of it for each of the eight years yet unexpired. In this case (the loan being four years old) there would be four years unexpired, which would make four-eighths or one-half of the premium to be deducted, leaving $125 to add to the dues and profits returned, making together the sum of $416.60, which, deducted from the sum of $1,000, leaves $583.40 cash necessary to pay off the loan, viz:—

| | |
|---|---|
| Five shares, dues and profits returned, . . . . | $291 60 |
| Four-eighths or one-half of $250 returned, . . . | 125 00 |
| Cash necessary to pay off loan, . . . . . . . . | 583 40 |
| Full amount of original loan, . . . . . . . | $1,000 00 |

The foregoing statement is intended to show the operation of the rule for paying off loans at any time before the regular closing out or winding up of the series of stock on which the loan was originally obtained; or, in other words, before its ultimate value of $200 per share is reached. It will be ascertained, by calculation, that in most cases in repaying loans in this way, the borrower will pay at the rate of more than six per cent. interest on the actual cash received by him for the time it is employed. The practice of thus paying off loans is not encouraged by the policy of the "Mutual System," it is by stayiug in and holding on to the loan and working through the series until the ultimate value of $200 is reached, that the profits and losses are equalized, and the advantages gained, which reduce the premium, and interest paid on a loan, to an equality with a transaction made in the ordinary way at six per cent. interest.

It must be kept in view that this "Mutual System," was originated by working men for the benefit of working men, to enable them to save in small sums as their wages are received. So that while they invest these small sums, they can at once begin to receive the benefit of an equal portion of *all the profits* on the sum invested, by lending it to their fellow-members, and not have to await the slow and profitless process of accumulating a large sum before finding an investment for it. It is a system requiring a certain period of time, certain combinations, and the united and harmonious action of its members to work out its results, and it is very apparent that to withdraw one's money or pay back a loan before the ultimate results are attained in a certain measure, disturbs the even flow of the scheme, and therefore it is not desired, and is required to be paid for as a privilege, by the withdrawing stockholder and repaying borrower. And a borrower seldom repays a loan before it runs out its full course, unless circumstances warrant it; such as the sale of his house at an advance over what he paid for it, sufficient to pay him well for the loss on his loan, or the near approach of the final payments reduce the balance due to a mere nominal sum, that is of little moment compared to the satisfaction of wiping out the debt at once, and thus anticipating by some months, perhaps, the last payment of the monthly dues and interest.

## Premiums.

The premium is a bonus charged to a stockholder wishing to borrow, for the privilege of anticipating the ultimate value of his stock, by obtaining the immediate use of the money his stock will be worth at the winding-up, namely $200 per share. He is thus enabled to buy a house and pay for it at once, with the borrowed money, and enter right into the ownership and occupancy of it, in place of waiting eight or ten years for his money to reach an amount sufficient to entitle him to do so, and in addition be paying rent for the house he occupies until that result is reached. The obligation he gives to the association is nominally for the repayment of the loan, but particularly for the payment of the *monthly dues* on the stock and *legal interest* on the loan until the association is able to divide to each share of stock held by the members, the sum of $200, and when this result is reached, as the association would owe a borrower on five shares of stock $1,000, and the borrower would also owe the association $1,000, one debt cancels the other, and the loan is paid off, and the house that was held as security for the loan, is released.

This premium, however, is a great stumbling-block in the way of many to a clear view of the peculiar advantage contained in the "Mutual System." "The system may be good enough," they say, "but we cannot see how any one can borrow to advantage at such a heavy discount." Now it is not pretended that the higher the premium, the greater is the advantage to the individual borrower; there doubltess is a limit beyond which it is not wise to go, and, as to that, every borrower must judge for himself what that limit is, and regulate his bidding accordingly. Let us compare the results of borrowing at both low and high rates of premium.

It has been previously stated as a guiding rule that the time required for a series of stock to run out, or reach its ultimate value of $200 per share, is regulated by the amount of profit divided to each share of stock at the end of each year. (See examples 1, 2 and 3, Chap. IV.) That an association dividing $\$6.46\frac{2}{13}$ per share each year will expire in ten years and ten months; one dividing $8 per share each year, will run out in ten years; and one dividing $13 per year will reach its ultimate value in eight years. It is plainly shown, then, that the larger the premium paid for loans, the larger the profit will be, and the larger the profit, the sooner the stock will reach the ultimate value of $200. So that when one loses by a high premium (when the premiums mostly average a high figure, as where the stock is issued in series), he gains by the less number of years he is required to pay dues and interest; and again, what he gains by a low premium (when premiums are always at a low average, as in associations with but one issue of stock) he loses by the greater number of years he is required to pay his dues and interest.

There is two years and ten months' or thirty-four months' difference between the longest and shortest period given in this volume, for the winding up or running out of a series of stock. So that a non-borrowing stockholder would pay some $34 more dues and a borrower, twice that sum in dues and interest on each share, during the running of the longest period. For example, suppose one borrows from an association that by reasons of its large premiums is able to wind up in eight years, a loan on five shares of $1,000, at forty per cent. premium, he would realize $600 in cash, and thereafter, pay ten dollars per month dues and interest, or $120 per year for eight years, at the end of that time he will have paid $960: just $360 more than he received and the debt is paid. If one borrows $600 in the regular way, at six per cent., simple interest, for eight years, the interest for that time will amount to $288, which, added to the loan, makes $888 principal and interest against $960 paid in the same time to the Building Association, which latter payment is only $9 a year, or seventy-two dollars in eight years in excess of legal interest, a very small sum compared with the privilege it aids one to obtain. Now suppose he were to borrow the same amount ($1,000 on five shares) from an association which by reason of its smaller profits, is unable to run out in less than ten years and ten months, and were to pay only twenty per cent. premium, he would therefore realize $800 in cash, with the premium off, and would of course pay the same amount of dues and interest, $10 a month, or $120 a year, and in ten years and ten months he would pay just $1,300 or $500 more than he received. Now let us apply the 6 per cent. rule to this case also. If $800 were borrowed for ten years and ten months, at six per cent. interest, the interest paid for the whole time would amount to $520, making $1,320 principal and interest, or $20 more than would be paid to the association in the same length of time, so that the loan from the association would be actually twenty dollars less than legal interest for the time it is held. It will be seen from the foregoing figures taken from examples of every-day occurrence, that the objection to premiums, and the charge of oppressive usury, so often preferred against this system, fade away into nothingness on examination, and fair comparison, and even in cases where a loan results in the payment of a sum slightly in excess of legal interest at the end of the transaction.

this excess is a mere atom in comparison to the advantage gained by the borrower, by means of which he gains a position to be reached by the working man in no other way.

### Paying Premiums in Monthly Instalments.

In some associations organized of late years, it is the rule not to deduct the premium from the face of the loan, on paying the borrower his money, but to require him to pay it in monthly instalments. In some cases it is a premium charged on each share, and in others a percentage on the amount of money borrowed.

In the first instance, the premium charged is from fifty cents up to one and two dollars per share as the competition is greater or less, and is paid monthly during the running of the loan, in addition to the monthly dues and interest of $1 per share each.

In the latter case the premium is a percentage on the amount borrowed, and is divided up into monthly instalments, and is thus paid with the dues and interest until the full amount of premium bid is finally paid, when the monthly instalments of the premium cease and the dues and interest continue until the winding up of the transaction.

This plan of paying premiums monthly, seems to meet with the opposition of many well versed in the theory and practice of the mutual system. There is not room, however, within the limits of this work to enter fully into its merits or discuss its objections.

It certainly has advantages and objections, as well as its advocates and opponents. Its chief advantages seem to exist in the fact that it gives the borrower all the money in hand at once. But at the same time it increases his monthly payments by the addition of the monthly proportion of the premium to the dues and interest paid monthly, and thus, while he pays, in most cases under this plan, a much larger premium, he pays it in monthly instalments.

The chief objection urged against this plan seems to be, that it has a tendency to induce wild and reckless bidding by the thoughtless and those ignorant of its effect. The result is, that premiums under this rule often reach rates as high as fifty and sixty per cent., making the monthly payment a burden, not felt at first, perhaps, but which in time becomes oppressive to the working man whose income is limited. Though it is urged again, on the other hand, that where large premiums are the rule, the association will terminate sooner by reason of its large profits, and that while a borrower pays larger monthly instalments, he really pays no more money in the end, owing to the sooner termination of his payments, than he would under the rule that deducts the premium at once from the face of the loan on granting it. This theory is correct, and a reference to examples No. 1, 2 and 3, will prove that the time required in reaching the ultimate result is regulated entirely by the amount of profits made during that time. But the practical effect of this plan, it is thought, will be found to be more burdensome to the borrower, than the old one; it also multiplies and complicates the accounts of the association, and is a departure from that simplicity so necessary to the clear understanding and proper working of the mutual system. However, it is a new idea,—at least in Pennsylvania,—and should be fairly tested.

## Discounts on Premiums.

A discount is allowed, or in other words, a deduction is made on the premium bid for a loan under the following circumstances:—

Where a member has simply paid dues on a certain series of stock, without borrowing for one or more years, and then borrows, an allowance of ten per cent. is made upon the premium bid (the rate it is believed most usual) for each year that has expired since the series of stock on which he borrows was issued.

For instance, were he to borrow on a series of stock any time during the running of the second year of its existence, say at thirty per cent. he would be allowed a deduction at ten per cent. off the premium, thus reducing the premium to twenty-seven per cent. If the stock is in its third year, twenty per cent. will be deducted, reducing the premium to twenty-four per cent. If it is in its sixth year, $\frac{5}{10}$ or fifty per cent. will be deducted, reducing the premium to fifteen per cent.

This is manifestly a just and reasonable provision, as it would be unfair to charge one as much premium for the use of money borrowed in the second, third or fifth year of a series as is charged one borrowing during the first year, and who would thus have the use of the money during the entire running of the series.

## Interest.

The interest charged on the loan is never more than the legal rate (six per cent.), on the face of the loan, and in some associations interest is only charged upon the amount of money received by the borrower after the premium is deducted, and interest is calculated upon the amount remaining due, monthly, thereafter. This last provision is opposite in its results, upon the working out of the time of the payments, to that of paying the premium in instalments; for it prolongs the time of these payments, as it reduces the annual profit of the investment. For every month, as the payment of dues is made, and the amount still remaining due is thereby reduced, of course, the monthly interest gradually grows less, there is consequently a less amount of interest to be compounded. Therefore, what is gained by small payment is lost by the greater number of months' payments, which must continue to reach the final result.

It would seem then that the mode of deducting premiums on granting the loans and charging interest on their full face, in addition to being the simplest and least complicated way, more easily understood and requiring less calculation to effect it, also seems to strike nearer the happy medium, and divides and distributes the burden of repayment, more equally as regards both time and money.

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NOTE.—On the following pages will be found the annual statement of an active and successful Building Association of several years standing, issuing its stock in yearly series. A careful study of the various items set forth in it will show the working out in every-day practice of the Mutual system, as explained in the preceeding pages. The first series is shown to have reached its "ultimate value" of $200 per share, while the ninth series is but one year old.

The object in giving this annual statement is to show that the calculations and illustrations hereinbefore given, are based on actual experience, and not on vague theories.

## TENTH ANNUAL STATEMENT OF A BUILDING ASSOCIATION.

### *Assets.*

| | | |
|---|---|---|
| Balance of Loans (Bonds and Mortgages) at last Report, | $44,500 00 | |
| Loans made during the year, | 40,200 00 | |
| | 84,700 00 | |
| Loans paid off during the year, | 9,300 00 | |
| Present balance of Loans (Bonds and Mortgages), | | $75,400 00 |
| Balance of Cash in the Treasury, | | 2,238 24 |
| | | $77,638 24 |

### *Losses.*

| | |
|---|---|
| Total Expenses, for the year, | $319 10 |
| NET GAIN FOR THE YEAR ENDING JAN. 31, | 17,681 54 |
| | $18,000 64 |

*Amount paid in on Each Series.*

| | | | |
|---|---|---|---|
| Amount paid on Shares of the | First | Series, . . . . | $124 00 |
| " " | Second | " . . . . | 112 00 |
| " " | Third | " . . . . | 100 00 |
| " " | Fourth | " . . . . | 88 00 |
| " " | Fifth | " . . . . | 64 00 |
| " " | Sixth | " . . . . | 40 00 |
| " " | Seventh | " . . . . | 36 00 |
| " " | Eighth | " . . . . | 18 00 |
| " " | Ninth | " . . . . | 12 00 |

| | | | |
|---|---|---|---|
| Number of Shares in | First | Series, . . . . . . . . | 15 |
| " " | Second | " . . . . . . . . | 11 |
| " " | Third | " . . . . . . . . | 2 |
| " " | Fourth | " . . . . . . . . | 40 |
| " " | Fifth | " . . . . . . . . | 205 |
| " " | Sixth | " . . . . . . . . | 88 |
| " " | Seventh | " . . . . . . . . | 212 |
| " " | Eighth | " . . . . . . . . | 614 |
| " " | Ninth | " . . . . . . . . | 527 |
| | | | 1,714 |

| | |
|---|---|
| Total value of Stock, of all series, . . . . . . . . . . | $77,723 84 |
| Add dues paid in advance during the year, . . . . . . | 167 69 |
| | $77,891 53 |

(In active Operation) for the Year ending January 31, 1869.

*Liabilities.*

| | | |
|---|---|---|
| Balance of Dues at last report, . . . . . . | $40,663 26 | |
| Net gain on Stock at last report, . . . . . . | 7,107 81 | |
| | 47,771 07 | |
| Dues paid in during the year, . . . . . . | 22,305 17 | |
| | 70,076 24 | |
| Dues withdrawn during the year, . . . . . . | 10,611 54 | |
| Total present balance of Dues . . . . . . . . . . | | $59,464 70 |
| Total of Dues paid in advance . , . . . . . . . . | | 492 00 |
| Net Gain for the Year ending Jan. 31, . . . . | | 17,681 54 |
| | | $77,638 24 |

*Gains.*

| | |
|---|---|
| Profits on Withdrawals, . . . . . . . , . . . . . . | $1,568 32 |
| Interest on Loans, . . . . . . . . . . . . . . . . . | 3,666 00 |
| Fines, . . . . . . . . . . . . . . . . . . . . . . | 229 14 |
| Premiums on Loans . . . , . . . . . . . . . . . . | 12,537 18 |
| | $18,000 64 |

*Gain on each Series, and Full Value.*

| | | | | |
|---|---|---|---|---|
| Gain in ten years and four months, | $76 00 | Full value, | $200 00 |
| " nine " " | 64 40 | " | 176 40 |
| " eight " " | 53 58 | " | 153 58 |
| " seven " " | 40 49 | " | 128 49 |
| " five " " | 26 88 | " | 90 88 |
| " three " " | 21 88 | " | 61 88 |
| " three " " | 20 99 | " | 56 99 |
| " one year and six months, | 13 61 | " | 31 61 |
| " one year, | 10 31 | " | 22 31 |

| | | | |
|---|---|---|---|
| Total value, . . . . . . . . | $3,000 00 | Loans, . . . | |
| " . . . . . . . . . . | 1,940 40 | " . . . | 6 |
| " . . . . . . . . . . | 307 16 | " . . . | |
| " . . . . . . . . . . | 5,139 60 | " . . . | 22 |
| " . . . . . . . . . . | 18,630 40 | " . . . | 46 |
| " . . . . . . . . . . | 5,445 44 | " . . . | 16½ |
| " . . . . . . . . . . | 12,081 83 | " . . . | 56 |
| " . . . . . . . . . . | 19,408 54 | " . . . | 84½ |
| " . . . . . . . . . . | 11,757 37 | " . . . | 146 |
| | 77,710 70 | | 377 |
| Profits not divided, . . . . . | 13 05 | | |
| | $77,723 84 | | |

| | |
|---|---|
| Total Balance of Dues, . . . . . . . . . . . . | $59,464 70 |
| Net Gain, . . . . . . . . . . . . . . . . . . | 17,681 54 |
| Dues Unpaid during the year . . . . . . . . . . | 745 29 |
| | $77,891 53 |

## Conclusion.

The rules for governing a Building Association, it will readily be perceived, preserve strict equality. They are, in fact, perfectly democratic; and the benefits and results are as hereinbefore been asserted, entirely mutual. There is no separate class, and no difference in the advantages gained by one member over those acquired by any other member. Under this system, the working man becomes his own capitalist, combining the small means of many men into one large sum, which, by rapid, profitable, and safe investment, returns a gain that under other plans goes into the hands of the capitalist. It is the principle of co-operation applied to money. It is a people's banking-system; the money forming its capital is furnished by the working man, who does not want the immediate use of it, to the working man who wants the temporary use of it, and is willing to pay a reasonable bonus for it, giving security for its safe return. There is no place or occasion for the capitalist in any part of the system; for if a man of large means becomes a member, taking a large number of shares, he can receive no more profit on each share than the humblest member can. He enters on an equal footing, and remains so throughout. It is plain that the scheme would not work if the stock were held by a few. It requires a liberal number of members, and the distribution of the stock in small amounts among them.

It has been remarked that a Building Association is governed on principles of strict equality. The stockholders elect their own officers, choosing from among their numbers such as they desire shall be the managers of their affairs, from time to time. The fourth section of the Pensylvania Act of 1859 provides that "The numbers, titles, functions, and compensation of the officers of any corporation created by this Act, their terms of office, the time of their elections, as well as the qualifications of electors, and the ratio and manner of voting, and the periodical meetings of the said corporation, shall be determined by the by-laws." Thus giving to the stockholders full control over their officers, holding them in complete check the while, with the ability to call them to account at any time. It only remains, therefore, for the stockholder to exercise ordinary care and discretion in selecting honest and capable men, and diligence in watching their management, to secure one of the safest and most reliable means of investing his savings, as well as the quickest and most desirable way of reaching the desired result.

The officers thus chosen conduct the affairs of the association during the year, and report all their doings at the annual meeting of stockholders, with the amount of assets on hand, the profits and losses made during the year, the money received from dues, interest, premiums and fines, and the money paid out for loans, withdrawals of dues, and for expenses; all of which is carefully examined and verified by a committee, composed of stockholders who are not officers, and reported to the stockholders' meeting. The officers of the association who handle the money,—the secretary and treasurer,—are required to give security for its safe keeping, in an amount sufficient to cover what is likely to be in their hands at any one time. Thus, all the parts of the system are held in constant and complete check.

### Security is Constantly Increasing.

Another evidence of the peculiar strength of the system, and the security of its loans, exists in the fact that the margin on its securities —that is, the value of the property mortgaged, over and above the loan upon it—is constantly increasing; for the payment of dues is, in effect, a payment on account of the money borrowed, and by each monthly payment of dues the amount of the various loans is decreased, and the value of the securities, over and above the loan, correspondingly increased. So that by this process the association is constantly strengthening itself; and what was good security at first, thus becomes stronger and better every month. The expenses of carrying on the work of a Building Association, such as salaries, room-rent, stationery, and advertising, are comparatively light,—perhaps $400 per year would cover all the items of the annual expense account of most associations. The report of one association in Philadelphia, for the year ending January 31, with an issue of 1,714 shares, the total of nine series, shows a net gain for the year, of $17,681.54, after deducting $319.10, for the year's expenses.

It will be noticed that in the example given in a former chapter, of the manner of borrowing upon a house and lot, the greater part of the money with which to pay for it, there was mention made of a prior estate or incumbrance (a ground rent or mortgage, as the case may be), which takes pecedence of the mortgage to the Building Association. It has been found best for those purchasing a house through this means, to allow such prior incumbrance to remain against the property, for this reason,—if one were to purchase a house at $2,000, entirely clear of all prior incumbrances, to raise enough money from the association to pay for it, it would require a subscription to nearly double the number of shares required to purchase one with a small incumbrance upon it, entailing upon the borrower the payment of nearly double the amount of monthly dues and interest; and this, the ordinary income of a working man would not admit of. For instance, to purchase a house clear of incumbrances at $2,000, supposing one had $350 to piece out the price of the house with, it would require $1,650 from the association to make the price of the house in full. Now, to obtain that sum, supposing we could obtain it at twenty-five per cent. premium off, would require him to take eleven shares, thus:—

| | |
|---|---|
| 11 shares, at $200 each, . . . . . . . . . . . | $2,220 |
| 25 per cent. premium off, . . . . . . . . . . . | 550 |
| Net amount received from loan, . . . . . . . . . | $1,650 |
| Add amount already in hand, . . . . . . . . . . | 350 |
| Price of house, . . . . . . . . . . . . . . . . | $2,000 |

He would then have to pay yearly as follows:—

| | |
|---|---|
| Monthly dues and interest, at $22 per month, for 1 year, | $264 |
| Yearly taxes (about), . . . . . . . . . . . . | 40 |
| Yearly interest on his own $350, . . . . . . . | 21 |
| Yearly expenses, in place of rent, . . . . . . . | $325 |

If one is able, by reason of a sufficient income, to make payments as heavy as this, it would be wise to purchase in this way, and borrow the greater part of the price paid at once, for what is paid to the association is saved, while the interest paid on a prior incumbrance is lost, as it were, for it goes the same way that rent does, never to make any return; and when, at last, the loan is paid off, the house is clear, and we have the sum of $264 above the two items of $40 and $21 per year, free to do as we will with it.

But one is not always so fortunate as to get his money at 25 per cent., but must pay more for it; in which case his ready money must be correspondingly increased to an amount sufficient to make up the difference between what his loan nets him, with the premium off, and the price of his house. As was before remarked, this is difficult for most working men to do; and even if they could raise the ready money, $325 per year is more than most working men are able to pay. Hence, the slower and less pressing way of taking a house subject to an incumbrance, and paying a smaller yearly sum, is more frequently adopted than the mode last above mentioned.

It is but necessary to apply the changes, the foregoing figures, as well as those scattered through the pages of this book are capable of, to the circumstances of any individual desirous of enjoying the privileges of this system,—multiplying them in proportion to his means of meeting the payments demanded, to enable any one to tell how far he can go, as a borrowing or non-borrowing stockholder of a Building Association.

He will see how much a loan made at a certain premium off, will net him; consequently, how much his cash thus obtained falls short of the price of the house he wishes to purchase, and therefore, how much he will have to raise independently of the association; and the number of shares he is required to take to make up the desired sum. This will show him what his monthly payments will be, at $2 per share; and by watching the average rate of profits reported every year, he can tell what length of time it will in all probability take him to pay off his loan, if he has one, or realize $200 for each share of stock in cash, if he is not a borrower.

The object of this book, as its title indicates, is simply to present in a familiar way before the working man and woman anxious for the information, the principal features of the mutual or co-operative system, as applied to the purposes of saving, borrowing, and repaying borrowed money, through the medium of Building Associations, working under the Pennsylvania Act of 1859, and to show the peculiar advantages derived from its use together with the reasons for them.

Although the system, as at present carried out, is to a certain extent defective in some minor points and details, nothing more toward their correction than a passing hint or suggestion is attempted. The explanation of the system as *at present carried out* in daily practice being its chief object, this book goes forth as an *informer*, and not as a *reformer*, except in so far as the knowledge it imparts shall enable its readers to see, upon a better understanding of the system, wherein the mischief lies, and through this means enable them to apply the remedy. "As yet, but a few persons of sound mathematical knowledge or experience in calculations have given attention to the subject," says a writer on the system as practiced in England, "and societies hitherto formed (in England) have been deprived of that basis of science and just reasoning which alone can ensure the prosperity of this or any similar kind of speculation." These remarks apply with equal force to our American associations, and it would undoubtedly be of lasting benefit to the system and all associations working under it, if a commission of scientific men, competent in all respects to perform the duty, were employed, under the auspices of the various associations, and at their joint expense, to give the system a thorough examination and study in all its parts, pick out such flaws as may exist in present practice, and, as it were, remodel the system, and report upon a plan for universal adoption, containing all the improved features that will best harmonize with each other, and work out the best and most equitable results, at the same time aiming at the greatest simplicity; so that thereafter one association would be but a counterpart of another. A plan thus formed, composed of all the best improvements on the system would be bereft of all the various conflicting and confusing plans and so-called improvements now so prevalent; and being the recommendation of men of known scientific attainments, integrity, and social standing, it would draw toward it the respectful attention and confidence of all classes, and build up a system for universal adoption among the working classes, that will spread and extend far in advance of the system as at present working, and produce results that will only cease with time itself.

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*Mr. Chairman*:—

You will have seen that the interesting scheme of co-operation, which the work of Mr. Wrigley has enabled me to lay so fully before your committee, gives the working man the aid of *credit* which he now finds so difficult to obtain. It pays directly to the laborer a part of that surplus profit upon his production which would otherwise swell the gains of the capitalist. And these Building Associations are not only unassailable in theory, but their benificence has been practically proved again and again. I have just seen long streets of comfortable houses in Philadelphia, that have been built by working men through their agency. It is quite time that Massachusetts offered to her industrial classes such an opportunity for successful combination. It will be an important step towards the enlightened and perfected co-operation by which men will one day solve those social problems that now seem so perplexing.